

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
CLERK**

**For The Year Ended
December 31, 2003**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Neal Cassity, Jessamine County Judge/Executive
Honorable Eva McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Clerk of Jessamine County, Kentucky, for the year ended December 31, 2003.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Jessamine County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
CLERK**

**For The Year Ended
December 31, 2003**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY CLERK

**For The Year Ended
December 31, 2003**

Carpenter, Mountjoy & Bressler, PSC has completed the Jessamine County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees increased by \$25,926, from the prior year, resulting in excess fees of \$655,261 as of December 31, 2003. Revenues increased by \$477,615 from the prior year and expenditures increased by \$451,759.

Report Comment:

- Clerk Receives A Lump Sum Budget Allotment From The Fiscal Court For Expenses

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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The Honorable Neal Cassity, Jessamine County Judge/Executive
Honorable Eva McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Jessamine County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the Jessamine County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Jessamine County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Jessamine County Clerk for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2004, on our consideration of the Jessamine County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable Neal Cassity, Jessamine County Judge/Executive
Honorable Eva McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Clerk Receives A Lump Sum Budget Allotment From The Fiscal Court For Expenses

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Jessamine County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in dark ink on a light-colored background.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
November 24, 2004

JESSAMINE COUNTY
EVA MCDANIEL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Grants	\$ 1,737
State Fees For Services	16,431
Fiscal Court	25,347
Fiscal Court Expense Account	34,035

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 1,408,348
Usage Tax	8,185,213
Tangible Personal Property Tax	3,170,795
Motor Vehicle Lien Releases	11,471
Notary Fees Motor Vehicles	8,980
Child Victim Fund	162

Licenses-

Fish and Game	2,720	
Marriage	13,063	
Occupational	100	
Beer and Liquor	100	
Deed Transfer Tax	265,867	
Delinquent Tax	375,960	13,442,779

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 32,765
Real Estate Mortgages	153,797
Chattel Mortgages and Financing Statements	121,849
Powers of Attorney	3,799
Wills, Estate Settlements & Accom.	1,019
Releases	50,556
Liens & Lis Pendens	7,141
Leases	363
Bail Bonds	609
All Other Recordings	7,928
Miscellaneous Income	2,714

Charges for Other Services-

Copywork	17,108	
Postage	5,343	404,991

JESSAMINE COUNTY
 EVA MCDANIEL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

Revenues (Continued)

Other:

Refunds & Overpayments	\$	8,663	
Prior Year Acct. Transfers		<u>3,881</u>	\$ 12,544

Interest Earned			<u>8,908</u>
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Total Revenues			\$ 13,946,772
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Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,061,690
Usage Tax		7,915,042
Tangible Personal Property Tax		1,206,301

Licenses, Taxes, and Fees-

Fish and Game		2,536
Delinquent Tax		50,136
Legal Process Tax		<u>42,418</u>
	\$	10,278,123

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	242,726
Delinquent Tax		25,634
Deed Transfer Tax		<u>252,573</u>
		520,933

Payments to Other Districts:

Tangible Personal Property Tax	\$	1,591,728
Delinquent Tax		<u>205,308</u>
		1,797,036

Payments to Sheriff		2,654
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Payments to County Attorney		61,219
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JESSAMINE COUNTY
 EVA MCDANIEL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2003
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 455,925

Employee Benefits-

Employee Training Programs 1,234

Other Charges-

Office Supplies 7,393

Conventions and Travel 4,586

Printing Tax Bills 5,563

Insurance & Bonds 1,282

Refunds 43,414

Equipment Repair 2,276

Publishing & Binding 4,916

Postage 705

Phone 3,187

Miscellaneous Expense 446

Library & Archives Grant 1,737 \$ 532,664

Capital Outlay-

Equipment Lease \$ 2,067

Software Lease 13,438 15,505

Transfer of Funds - previous year fee acct. 3,881

Total Expenditures \$ 13,212,015

Net Revenues \$ 734,757

Less: Statutory Maximum 72,861

Excess Fees \$ 661,896

Less: Expense Allowance \$ 3,600

Training Incentive Benefit 3,035 6,635

Excess Fees Due County for 2003 \$ 655,261

Payments to Fiscal Court - March 12, 2004 649,051

Balance Due Fiscal Court at Completion of Audit \$ 6,210

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2003
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$1,737. Funds totaling \$1,737 were expended during the year.

Note 5. Lease

The office of the County Clerk was committed to a lease agreement with Software Management for a software package. The agreement required a monthly payment of \$53.79 for sixty months to be completed on October 29, 2003. Lease requirements were completed as of December 31, 2003.

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COMMENT AND RECOMMENDATION

JESSAMINE COUNTY
EVA MCDANIEL, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

Clerk Receives A Lump Sum Budget Allotment From The Fiscal Court For Expenses

During the course of our audit, it was noted that the Jessamine County Clerk's office receives a fiscal year-based budget allotment from the Jessamine County Fiscal Court. During calendar year 2003, the Clerk received \$48,472 from the Fiscal Court for this allotment. These funds were deposited into a separate bank account from fee funds. Funds totaling \$34,035 were used for operating expenses. None of the receipts or disbursements were posted to the fee account receipts or disbursements ledgers. However, they were accounted for in the accounting program.

KRS 64.710 states that "No public officer or employee shall receive or be allowed or paid any lump sum expense allowance or contingent fund for personal or official expenses except where such allowance or fund either is expressly provided for by statute or is specifically appropriated by the General Assembly."

The auditors have proposed adjustments to the receipts and disbursements ledgers to appropriately classify the Jessamine County Fiscal Court budget allotment and its related disbursements as operating receipts and disbursements. Because the remaining balance of the 2003-2004 Fiscal Year Budget allotment has been disbursed or returned to the county, the auditor proposes no action on those funds at this time. Rather, the Clerk's office and the Fiscal Court should proceed to account for any future budget allotments as fee receipts from the county. These receipts should be deposited into the fees bank account and accounted for on the fee receipts ledger. Disbursements from these funds should be made from the fee bank account and recorded in the fee disbursements ledger.

Clerk's Response:

A separate bank account from fee funds gives a better paper trail for audit, easy to budget, the receipts are numbered, deposits and disbursements are tracked better.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Neal Cassity, Jessamine County Judge/Executive
Honorable Eva McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Jessamine County Clerk for the year ended December 31, 2003, and have issued our report thereon dated November 24, 2004. This was a special report on the Jessamine County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jessamine County Clerk's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Clerk Receives A Lump Sum Budget Allotment From The Fiscal Court For Expenses

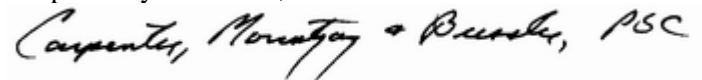
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jessamine County Clerk internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -
November 24, 2004

